

THE DEFENSE BUDGET FOR FISCAL YEAR 2018 AND ONWARDS

HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

TUESDAY, JANUARY 24, 2017

Printed for the use of the Committee on Armed Services



Available via the World Wide Web: <http://www.fdsys.gov/>

U.S. GOVERNMENT PUBLISHING OFFICE

28-837 PDF

WASHINGTON : 2018

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON ARMED SERVICES

JOHN McCAIN, Arizona, *Chairman*

JAMES M. INHOFE, Oklahoma	JACK REED, Rhode Island
ROGER F. WICKER, Mississippi	BILL NELSON, Florida
DEB FISCHER, Nebraska	CLAIRE McCASKILL, Missouri
TOM COTTON, Arkansas	JEANNE SHAHEEN, New Hampshire
MIKE ROUNDS, South Dakota	KIRSTEN E. GILLIBRAND, New York
JONI ERNST, Iowa	RICHARD BLUMENTHAL, Connecticut
THOM TILLIS, North Carolina	JOE DONNELLY, Indiana
DAN SULLIVAN, Alaska	MAZIE K. HIRONO, Hawaii
DAVID PERDUE, Georgia	TIM Kaine, Virginia
TED CRUZ, Texas	ANGUS S. KING, JR., Maine
LINDSEY GRAHAM, South Carolina	MARTIN HEINRICH, New Mexico
BEN SASSE, Nebraska	ELIZABETH WARREN, Massachusetts
LUTHER STRANGE, Alabama	GARY C. PETERS, Michigan

CHRISTIAN D. BROSE, *Staff Director*

ELIZABETH L. KING, *Minority Staff Director*

CONTENTS

JANUARY 24, 2017

	Page
THE DEFENSE BUDGET FOR FISCAL YEAR 2018 AND ONWARDS	1
Wood, Dakota L., Senior Research Fellow for Defense Programs, the Heritage Foundation	5
Mahnken, Dr. Thomas G., President and CEO, Center for Strategic and Budgetary Assessments	9
Korb, Dr. Lawrence J., Senior Fellow, Center for American Progress	12

(III)

THE DEFENSE BUDGET FOR FISCAL YEAR 2018 AND ONWARDS

TUESDAY, JANUARY 24, 2017

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The committee met, pursuant to notice, at 9:30.m. in Room SH-216, Hart Senate Office Building, Senator John McCain (chairman) presiding.

Committee members present: Senators McCain, Inhofe, Wicker, Fischer, Cotton, Rounds, Ernst, Tillis, Sullivan, Perdue, Sasse, Reed, Shaheen, Gillibrand, Blumenthal, Donnelly, Hirono, Kaine, King, Heinrich, Warren, and Peters.

OPENING STATEMENT OF SENATOR JOHN MCCAIN, CHAIRMAN

Chairman MCCAIN. Good morning.

The Armed Services Committee meets this morning to receive testimony on the defense budget for fiscal year 2018 and beyond.

I would like to welcome our witnesses: Dakota Wood, Senior Research Fellow for Defense Programs at The Heritage Foundation; Dr. Thomas Mahnken, President and CEO of the Center for Strategic and Budgetary Assessments; and Dr. Lawrence Korb, Senior Fellow at the Center for American Progress.

As President Trump assumes the awesome responsibilities of his office, he has inherited a world on fire and a U.S. military weakened by years of senseless budget cuts. I am encouraged that he recognizes these problems. In fact, the White House website now features President Trump's promise to, quote, end the defense sequester and, quote, rebuild our military. I know the President will find many allies on this committee who share these goals.

The world order that America has led for seven decades, which has benefited our people most of all, is now under unprecedented strain. We have entered a new era of great power competition even as we continue to face an enduring global conflict against violent Islamic extremist groups. Too many Americans seem to have forgotten that our world order is not self-sustaining. Too many have forgotten that while the threats we face may not have purely military solutions, they all have military dimensions. In fact, too many have forgotten that hard power matters. It is what gives our Nation leverage to deter aggression and achieve peace through strength.

The epitome of this forgetfulness is the Budget Control Act of 2011, which cut and arbitrarily capped defense spending for a decade. At a time of growing threats, this law led to a 21 percent re-

duction to the defense budget from 2010 to 2014. Across the board, the military got smaller and, worse, less capable. Critical investments in new technologies were deferred, which helped adversaries like Russia and China to close the gap. At the same time, the combination of rising threats, declining budgets, aging equipment, shrinking forces and high operational tempo produced a military readiness crisis. In other words, President Trump is now Commander-in-Chief of a military that is underfunded, undersized, and unready to meet the diverse and complex array of threats confronting our Nation.

That is why every member of the Joint Chiefs of Staff has testified to our committees that years of budget cuts have placed the lives of the men and women of our armed forces at greater risk.

Despite the damage done to our military over the last several years, there are still those that argue we should not be so concerned. They say America's military is still the greatest fighting force ever known, that our military capabilities are still, quote, awesome, that we spend so much more than Russia or China or that we spend roughly the same amount as we did during the Cold War.

True as these statements may be, they say little or nothing about whether our military can achieve the missions assigned to them and at what cost. In fact, the testimony of our military leaders in open hearings and closed briefings leads me to believe there is real reason for concern. We do not fight wars by comparing budgets. That is why this kind of happy talk is not just unhelpful, it is dangerous. It breeds the kind of complacency we cannot afford with the world on fire.

It is time to change course on America's defense budget. We have to invest in the modern capabilities necessary for the new realities of deterring conflict. Our adversaries have gone to school on the American way of war, and they are investing heavily in advanced capabilities to counter it. After years of taking our military advantage for granted, we are now at serious risk of losing it. We cannot just buy a bigger version of the military that won the Gulf War 25 years ago. We have to invest in the new technologies and capabilities that will allow our military to prevail in a conflict 25 years in the future.

We also have to regain capacity for our military. Put simply, our military today is too small. It does not have enough ships, aircraft, vehicles, munitions, equipment, and personnel to perform its current missions at acceptable levels of risk. Adding capacity alone is not the answer and any capacity that we do add must be done deliberately and sustainably. Add we must.

Of course, rebuilding our military must be done smartly. We must seek to make our military better not just bigger. We must continue our reform efforts to make the Department of Defense more effective and efficient, while cutting wasteful spending.

We must also be clear about the challenge of rebuilding America's military will not be cheap. In my estimation, our military requires a base defense budget for fiscal year 2018, excluding current war costs, of \$640 billion, which is \$54 billion above current plans and sustained growth for years thereafter. It will not happen overnight. The harm done to our military over the past eight years will

not be reversed quickly. The longer that we wait, the worse it will get and the longer it will take to fix it.

It will not be easy. Rebuilding America's military will require spending political capital and making policy tradeoffs. That is why national defense must be a political priority on par with repealing and replacing Obamacare, rebuilding infrastructure, and reforming the tax code, indeed, more so because national defense is job one for the Federal Government.

None of these challenges should obscure the fact that rebuilding America's military is the right and necessary thing to do.

I look forward to the testimony of our witnesses on the way forward.

Senator Reed?

STATEMENT OF SENATOR JACK REED

Senator REED. Well, thank you very much, Mr. Chairman, for holding this hearing to consider funding levels for the Department of Defense and to maintain our Nation's military forces.

I welcome our distinguished witnesses this morning. Thank you, gentlemen, and I look forward to your testimony.

Last week, Chairman McCain issued a White Paper ["Restoring American Power"] detailing his spending priorities for the new fiscal year and beyond. As this committee begins its work on the defense authorization process, the chairman's proposal includes many policy objectives that deserve capital consideration by this committee.

In addition to the chairman's budget proposal, the committee will also be considering the upcoming fiscal year 2018 budget request that will be submitted by the Trump administration. President Trump has stated repeatedly that he will focus on rebuilding our Nation's military, but there have been few specific details on what that will include.

Furthermore, as this committee has done in the past, we will have several posture hearings with senior civilian and military leadership to hear directly from the Department regarding their resource requirements.

Finally, like today, we will have hearings with outside defense experts that will help provide an alternative view for this committee to consider.

I am very proud that this committee has always worked in a bipartisan fashion during this process, and I look forward to working with the committee and the chairman and all that are here to continue that process.

While there has been a change in administration and administration priorities, this committee is still governed by the funding constraints enacted under the Budget Control Act, the BCA. President Trump has stated that he will end the defense sequester. As my colleagues on this committee are acutely aware, current law restricts both defense and non-defense spending. Many of my colleagues will maintain that the defense bill is not a vehicle to discuss the fate of domestic spending. However, for the past several years, I have argued that when it comes to questions of adequate funding, we need to consider all of the security responsibilities of

our Nation not just those that are executed by the Department of Defense.

For example, as numerous witnesses have testified over the years, our Nation's fight against ISIL [Islamic State of Iraq and the Levant] consists of nine lines of effort, only two of which are controlled by the Department of Defense [DOD]. Increasing the BCA caps for DOD alone will not support the State Department's diplomatic engagement with the Government of Iraq. It will not support State and USAID's [U.S. Agency for International Development] delivery of humanitarian aid to refugees and displaced persons. It will not support the Treasury Department's disruption of ISIL finances, and it will not support Department of Homeland Security, the FBI [Federal Bureau of Investigation], and the Justice Department in their efforts to protect the Homeland by thwarting terrorist threats.

I would further argue that protecting our country goes beyond funding our national security agencies alone. Domestic agencies need funding to ensure the resiliency of our electrical grid, the safety of our food, water, and medicine, and the protection of all of our cyber networks. From those that regulate dams to those that are used during our elections, the cyber infrastructure is critical to the country and is not within the strict purview of national security agencies.

One of the military and diplomatic tenets of combating extremism is to provide the populations with security and basic needs. While we help the Afghans build roads, schools, and clean drinking water systems for the villages, I believe we should do the same for the American population.

While we are deploying troops to Poland and Eastern Europe to support our NATO [North Atlantic Treaty Organization] allies against aggressive Soviet actions, we also need to provide the funding necessary so that Americans feel safe in their neighborhoods and on their computers.

As we examine what funding requirements are necessary to the safety and security of our country, we need to look at our federal budget in a much broader context recognizing our strength also depends on the health of our economy, reliability of civilian institutions, our scientific preeminence, and the health and education of our citizens.

The BCA delineation between defense and non-defense spending has had the unfortunate effect of pitting each category of funding against the other. Instead, we would be better served if we considered the needs of our Nation holistically.

I would also like to note that President Trump has not provided many details on what our defense posture will be under his administration. He has stated that eliminating ISIL is his top national security priority, which is a continuation of present policy. However, other public statements, from calling NATO obsolete to developing closer relations with Russia, could counteract that goal and suggest a critical program such as the European Reassurance Initiative may be rolled back or eliminated. Such policy changes will have an effect on strategy, force structure, and funding.

Therefore, as our witnesses discuss their recommendations for military funding, I hope they frame their proposals, first, in the

larger context of what they believe American strategy should be and, second, what force structure will be necessary to achieve the specific goal of that strategy.

Finally, like Chairman McCain, I believe it is time to repeal the BCA's arbitrary spending caps. The BCA has not made this country safer and it has not resolved our fiscal challenges.

Likewise, I am deeply concerned that the Trump administration plans to pursue massive tax cuts for corporations and the well-off while simultaneously seeking to increase military spending without working to develop any new revenue that we need to invest in our country. It could lead us into a situation where the deficit becomes significantly encumbering of our whole economy.

Let me be clear. I am not opposed to increasing military spending. In fact, I think we have got to do it. It is the duty of the committee to carefully review the proposals to ensure the men and women we are sending into harm's way have the resources necessary to complete their mission and return home safely. It is a duty we all take very seriously here. We have to act responsibly in terms of the Nation's entire fiscal health.

I look forward to our testimony today and to continuing this important work with the chairman. Thank you.

Chairman MCCAIN. Mr. Wood? Welcome to the witnesses.

STATEMENT OF DAKOTA L. WOOD, SENIOR RESEARCH FELLOW FOR DEFENSE PROGRAMS, THE HERITAGE FOUNDATION

MR. WOOD. Thank you, Mr. Chairman. Chairman McCain, Ranking Member Reed, distinguished members of the committee, I deeply appreciate your invitation to appear before you today to discuss the defense budget for fiscal year 2018.

The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation, where I am a senior fellow.

This committee has already fully explored defense budget cuts in real terms over the last several years, so I do not think it worth this committee's important time for me to dwell on the details of that topic. The military Service Chiefs have repeatedly testified before you describing the condition of their services, how budget cuts and sustained high operational tempo have affected them, the challenges of carrying out their mission in such a budget-constrained environment, and their forecasts of the future condition of the services if current trends are not altered.

The military budget was certainly increased following the attacks of September 11, 2001, but those increases were immediately consumed by the operations in Afghanistan, Iraq, and elsewhere. What was not addressed was the baseline force and all the things that make it possible to organize, equip, train, deploy, and sustain combat power.

As Chairman McCain has noted in his just-released White Paper, the combined effects of nearly \$1.5 trillion of cuts over a decade have been devastating to our military. It seems odd since we spend more than \$600 billion each year on defense, and the military appears to do what is asked of it. The military's dedication to accomplishing the current mission has come at a substantial cost and

there is an increasingly worrisome cost to the Nation in strategic terms. To sustain current operational readiness for deployed forces, all of the services have sacrificed readiness and capability in all other areas of military affairs, to include preparing for the future.

For reasons already well known to this committee, Congress has been unwilling to make investing in the defense of the United States and its interests a high enough priority among the many competing interests within the federal budget. Consequently, defense spending has steadily declined since the end of the Cold War to a point of historic lows for the modern era.

Rather than rehash budgetary details, I would like to share some thoughts on what the fiscal year 2018 budget represents for the United States, its friends and competitors, and those sitting on the fence somewhere in between.

The news has certainly been awash in reports of degraded unit and material readiness: ships unable to get underway, aviation mishaps, ground combat units that are under-strength, at low levels of readiness, and so few in number that servicemembers and their families are being worn out as quickly as their equipment.

Both our friends and our enemies can count the number of units, squadrons, and ships the U.S. maintains abroad. They pay close attention to service testimony that has increasingly highlighted growing risk in the military's ability to perform its functions. They read the same headlines and watch the same news programs we do reporting the consistent message of a U.S. military that is under-strength, aging, and challenged to defend U.S. interests at an acceptable level of risk. They track the reports of problematic acquisition and modernization programs stemming from poor program management but also the now routine shortage and variability of funds that has driven the military to be smaller, older, and less ready than at any time since the 1930s.

A robust investment in defense, via the fiscal year 2018 budget, will not only be an important first step in rebuilding the U.S. military, but it will also send a profoundly important message to the rest of the world that America is once again serious about protecting itself and its interests, standing with those who choose to align with it in common cause, and to serve as a bulwark against forces of disorder.

It is not a matter of figuring out what problems need to be addressed or where additional funds can be best spent or savings obtained. My personal observation is that the Military Services have done this analysis. They know what they need and have prioritized those needs for every additional dollar that might be provided. In my judgment, their analysis is, by and large, right on target.

What they fear is imbalance. They are concerned about having too many people and too little equipment, or the reverse: too much equipment and too few people. They understand the difficulty of generating new units, the time it takes not only for individuals and small units to become tactically proficient, but also for commanders and staffs to become operationally competent.

Stability is important in buying new equipment that is critical to keeping the force relevant in future years, while repairing aging equipment to keep it in the fight until the new equipment arrives.

Stability over time is also essential to building and maintaining a healthy and diverse industrial base that enables the government to leverage competition to get the best product at the best price. Highly constrained and unpredictable budgets inevitably lead to consolidation in the manufacturing sector, which results in fewer companies able to produce the tools needed by our military. Sometimes this leads to a single manufacturer, a government-driven monopoly, if you will, that effectively eliminates the government's ability to compete a project for best price and innovation in design.

The point here is that the fiscal year 2018 budget represents an absolutely critical opportunity for the United States to tell itself and the world where its priorities are and can serve as a much needed first step toward rebuilding the military we need. It will put our potential adversaries on notice that the U.S. intends to operate from the position of strength, and it will give assurance to our allies that we will fulfill our commitments to them.

Once again, I thank you for this opportunity to speak about the health of our military, and I look forward to answering your questions.

[The prepared statement of Mr. Wood follows:]

PREPARED STATEMENT BY MR. DAKOTA L. WOOD

Chairman McCain, Ranking Member Reed, and distinguished members of the Committee, I deeply appreciate your invitation to appear before you today to discuss the defense budget for fiscal year 2018.

The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

This committee has already fully explored the extent to which the U.S. defense budget has been cut in real terms over the last several years, so I do not think it worth this committee's important time for me to dwell on the details of that topic. The military Service Chiefs and senior members of their staffs have testified before you on numerous occasions, describing the condition of their services, how budget cuts—combined with sustained, high operational tempo—have affected them, the challenges of carrying out the tasks assigned to them in such a constrained budget environment, and their forecasts of the future condition of the services if current trends are not altered. To be fair, the military budget was certainly increased following the attacks of September 11, 2001, but those increases were immediately consumed by the operations in Afghanistan, Iraq, and elsewhere. What was not addressed was the baseline force and all the things that make it possible to organize, equip, train, deploy, and sustain combat power. That includes the institutional elements of the services; the physical infrastructure of bases, air stations, and maintenance facilities, training ranges, and so forth.

As Chairman McCain has noted in his just-released White Paper, the combined effects of nearly \$1.5 trillion in cuts over a decade—which includes Secretary of Defense Robert Gates' \$200 billion in "efficiency cuts" during roughly the same ten-year period—have been devastating to our military. I realize this may seem odd to the public and even to many in Congress, since we spend more than \$600 billion each year on defense, and the military appears to do that which is asked of it. But the military's dedication to accomplishing the current mission, their "can-do" spirit if you will, has come at a substantial cost that is less well known or understood. There is a growing and increasingly worrisome cost to the nation in strategic terms—a situation that perhaps is even less well known or understood. To sustain current operational readiness for deployed forces, all the services have sacrificed readiness and capability in all other areas of military affairs. This has taken a toll among programs to modernize their forces, to prepare for the future, and to maintain their physical infrastructure.

For reasons already well known to this committee, Congress has been unwilling to make investing in the defense of the United States and its interests a high enough priority among the many competing interests within the federal budget. Consequently, defense spending has steadily declined since the end of the Cold War to a point of historic lows for the modern era.

As mentioned, it is not worth the committee's valuable time for me to rehash budgetary details it already knows so well. Rather, I would like to share some thoughts on what the fiscal year 2018 budget represents for the United States, its allies and friends, its competitors and enemies, and for countries "on the fence" somewhere between friend and foe.

The news has been awash in reports of degraded unit and material readiness:

- Ships unable to get underway, delayed getting out of the repair yards, or suffering engineering casualties while deployed;
- Aviation mishaps resulting from both equipment failures and pilot or crew error due to lack of adequate flight hours for training, aging planes; and
- Ground combat units that are understrength, at low levels of readiness, and so few that service-members (and their families) are being worn out as quickly as their equipment.

Both our friends and our enemies can count the number of units, squadrons, and ships the U.S. maintains abroad. They pay close attention to the Service Chiefs' testimony provided to Congress that has, for the last several years, increasingly highlighted growing risk in the military's ability to perform its functions. They read the same headlines and watch the same televised news programs we do, reporting the consistent message of a U.S. military understrength, aging, and challenged to defend U.S. interests at an acceptable level of risk. And they track the reports of canceled, truncated, and delayed acquisition and modernization programs stemming from problematic program management but also the now-routine shortage and variability of funds that has driven the military to be smaller, older, and less ready than at any time since the 1930s.

A robust investment in defense, via the fiscal year 2018 budget, will not only be an important first step in rebuilding the U.S. military to the size, modernity, and readiness essential for it to perform its function in protecting America and its interests, but it will also send a profoundly important message to the rest of the world that America is once again becoming serious about protecting itself and its interests, standing with those who choose to align with it in common cause and prepared to lead like-minded nations in the effort to preserve peace, enhance stability, and expand freedom and opportunity, and to serve as a bulwark against forces of disorder.

It isn't a matter of figuring out what problems need to be addressed or where additional funds can be best spent or savings obtained. Nor is it a matter of quantifying shortfalls and their impact on military operations. My personal observation is that the Military Services have done this analysis; they know what they need, and have prioritized those needs for every additional dollar they might be provided. They have analyzed their forces and institutional ability to generate and sustain those forces and how they would spend additional funding to generate near-term readiness and longer-term preparedness in a balanced manner. In my judgment, their analysis is, by and large, right on target.

What they fear is imbalance, usually driven by spending decisions imposed on them. They are concerned about having too many people and too little equipment or the reverse: too much equipment and too few people. They understand the difficulty of generating new units, the time it takes not only for individuals and small units to become tactically proficient but also for a commander and his or her staff to become operationally competent.

They must balance repairing aging equipment to keep it in the fight (while awaiting replacement items) with buying new equipment that is critical to keeping the force relevant in future years. Rebuilding a force, especially one that has been depleted over so many years, must be done in a balanced way.

Stability over time is also essential to building and maintaining a healthy, diverse, and innovative industrial base that enables the government to leverage competition to get the best product at the best price. Highly constrained and unpredictable budgets inevitably lead to consolidation in the manufacturing sector, which results in fewer companies able to produce the tools needed by our military. Sometimes this leads to a single manufacturer—a government-driven monopoly—that effectively eliminates the government's ability to compete a project for best price and innovation in design.

The point here is that the fiscal year 2018 budget represents an absolutely critical opportunity for the United States to tell itself and the world where its priorities are and can serve as a much needed first step toward rebuilding the military we need. It will put our potential adversaries on notice that the U.S. intends to operate from a position of strength, and it will give assurance to our allies that we will fulfill our commitments to them.

Once again, I thank you for this opportunity to speak about the health of our military and I look forward to answering your questions.

* * * * *

The Heritage Foundation is a public policy, research, and educational organization recognized as exempt under section 501(c)(3) of the Internal Revenue Code. It is privately supported and receives no funds from any government at any level, nor does it perform any government or other contract work.

The Heritage Foundation is the most broadly supported think tank in the United States. During 2015, it had nearly 600,000 individual, foundation, and corporate supporters representing every state in the U.S. Its 2015 income came from the following sources:

Individuals 75%
 Foundations 12%
 Corporations 3%
 Program revenue and other income 10%

The top five corporate givers provided The Heritage Foundation with 2 percent of its 2015 income. The Heritage Foundation's books are audited annually by the national accounting firm of McGladrey, LLP.

Members of The Heritage Foundation staff testify as individuals discussing their own independent research. The views expressed are their own and do not reflect an institutional position for The Heritage Foundation or its board of trustees.

Chairman McCAIN. Thank you.
 Dr. Mahnken?

**STATEMENT OF DR. THOMAS G. MAHNKEN, PRESIDENT AND
 CEO, CENTER FOR STRATEGIC AND BUDGETARY ASSESS-
 MENTS**

Dr. MAHNKEN. Thank you. Chairman McCain, Ranking Member Reed, distinguished members of the committee, thank you for this invitation to appear before you today to discuss the defense budget for fiscal year 2018 and beyond.

Chairman McCain, at the outset, I would like to commend you for "Restoring American Power." It was a thoughtful and much needed contribution to the debate over defense strategy and resources. CSBA's [Center for Strategic and Budgetary Assessments] diagnosis of the situation and recommendations accord with those detailed in the paper in many respects.

Now, the bottom line that I have for you today is that the United States requires more resources for defense if we are to continue to safeguard America's national interests in an increasingly competitive environment. Specifically, in my view, we need increased investment in both readiness and modernization.

I had the pleasure of serving on the staff of both the congressionally mandated 2010 Quadrennial Defense Review Independent Panel and on the staff of the 2014 National Defense Panel. Both of those bodies achieved a bipartisan consensus that the Defense Department required additional resources. Seven years on from the first and three years on from the second, today's situation is even more dire.

First, as has already been noted, additional resources are needed to restore the readiness of the U.S. Armed Forces. As Dakota said, I need not detail the path that has gotten us here. You are aware of that, the circumstances we are in today. It is worth emphasizing, however, that our drawdown has occurred all the while the United States has been at war in Iraq, in Afghanistan, and across the world, a situation that is historically unusual, to put it mildly.

Second, there is growing need to modernize U.S. conventional and nuclear forces. eight years ago, when I last served in the Department of Defense as the Deputy Assistant Secretary of Defense

for Policy Planning, the risk calculus was that we could afford to take some additional risk in preparing for high-intensity war in order to focus on counterinsurgency. As Secretary of Defense Gates frequently put it, we needed to focus on the wars of the present rather than the possible wars of the future.

Eight years on, I believe the risk calculus has fundamentally changed. Whereas we have spent the last 15 years focused on counterinsurgency, we are now in a period characterized by the reality of great-power competition and the increasing possibility of great-power conflict. We see China and Russia acting aggressively both in their own regions, as well as beyond them. China is busy remaking the geography of the western Pacific, but is also increasingly active elsewhere. Russia has not only used force against Georgia and Ukraine and threatened other neighbors, but is also waging a high-intensity military campaign in Syria. Moreover, both China and Russia have been investing in military capabilities that threaten America's longstanding dominance in high-end warfare. We have given them a decade and a half to catch up.

In other words, the wars of the future may no longer lie that far in the future. Moreover, they are likely to differ considerably both from the great-power wars of the past, as well as the campaigns that we have been waging since the turn of the millennium.

That is not to say that battling radical Islam will not continue to be a priority. However, it has been the focus of U.S. investment over the last decade and a half. By contrast, we have neglected the capabilities needed to deter and, if necessary, wage high-end warfare.

That includes our nuclear deterrent. Historically, when the United States has drawn down its conventional forces, as it did in the 1950s and after the Vietnam War, we came to rely increasingly on our nuclear deterrent. In recent years, by contrast, we have both drawn down our conventional forces and our nuclear forces. Now both require modernization.

Needless to say, the tasks of improving readiness and modernizing the force will require additional resources beyond those permitted by the Budget Control Act.

In closing, as we seek to rebuild American military power, we need to keep a couple of things in mind.

First, the Defense Department's capacity to absorb an infusion of resources is limited. The Pentagon today is a lot like a person who has been slowly starving for years. There are limits to how effectively it can spend a large infusion of cash.

Second, that which is available is not necessarily that which is necessary. One byproduct of our neglect of modernization over the past decade and a half is that there are few programs that are ready right now to accept new funds. Rebuilding the American military will take time. To take but one example, achieving the 350-ship Navy that President Trump has pledged to deliver, or the 355-ship fleet that the Navy now says it needs, or the 340-ship fleet that CSBA believes the Nation needs cannot be accomplished in four or eight years. Our analysis, using the Navy's own models, show that it is affordable, but making it a reality will require a sustained commitment on the part of the executive and legislative branches.

The capabilities that the United States needs to remain dominant on the land and in the air against great-power competitors will similarly take time to field. The modernization of the U.S. nuclear deterrent will require time to accomplish as well. Maintaining U.S. military effectiveness over the long haul will, thus, require more than a quick, though much needed infusion of cash in fiscal year 2018. It will require sustained support for defense investment in the years that follow.

Thank you, and I await your questions.

[The prepared statement of Dr. Mahnken follows:]

PREPARED STATEMENT BY THOMAS G. MAHNKEN

Chairman McCain, Ranking Member Reed, and distinguished members of the Committee, thank you for your invitation to appear before you today to discuss the defense budget for fiscal year 2018.

At the outset, I would like to commend you for "*Restoring American Power*," which is a thoughtful and much needed contribution to the debate over defense strategy and resources. CSBA's diagnosis of the situation and recommendations accord with those detailed in the paper in many respects.

The bottom line is that the United States requires more resources for defense if we are to continue to safeguard America's national interests in an increasingly competitive environment. Specifically, in my view we need increased investment in both readiness and modernization.

I had the pleasure of serving on the staff both of the Congressionally-mandated 2010 Quadrennial Defense Review Independent Panel and the 2014 National Defense Panel. Both achieved a bipartisan consensus that the Department of Defense required additional resources. Seven years on from the first and three from the second, today's situation is even more dire.

First, additional resources are needed to restore the readiness of the U.S. Armed Forces. I need not detail the path that has gotten us here. Nor do I need to detail the corrosive impact that sequestration has had on the readiness of the U.S. Armed Forces. The members are well aware of that. It is worth emphasizing, however, that all this has gone on while the United States has been at war—in Iraq, Afghanistan, and across the world—a situation that is historically unique, to put it mildly.

Second, there is a growing need to modernize U.S. conventional and nuclear forces. Eight years ago, when I last served in the Department of Defense, as the Deputy Assistant Secretary of Defense for Policy Planning, the risk calculus was that we could afford to take additional risk in preparing for a high-intensity war in order to focus on counterinsurgency. As Secretary of Defense Gates frequently put it, we needed to focus on the wars of the present rather than the possible wars of the future.

Eight years on, I believe that the risk calculation has fundamentally changed. Whereas we have spent the last fifteen years focused on counterinsurgency, we are now in a period characterized by the reality of great-power competition and the increasing possibility of great-power conflict. We see China and Russia acting aggressively both in their own regions as well as beyond them. China is busy remaking the geography of the Western Pacific, but is also increasingly active elsewhere. Russia not only has used force against Georgia and Ukraine and threatened other neighbors, but is also waging a high intensity military campaign in Syria. Moreover, both China and Russia have been investing in military capabilities that threaten America's long-standing dominance in high-end warfare.

In other words, the "wars of the future" may no longer lie that far in the future. Moreover, they are likely to differ considerably both from the great-power wars of the past as well as the campaigns that we have been waging since the turn of the millennium.

That is not to say that battling Radical Islamism will not continue to be a priority. However, it has been the focus of U.S. investment over the last decade and a half. By contrast, we have neglected the capabilities needed to deter and if necessary wage high-end warfare.

That includes our nuclear deterrent. Historically, when the United States has drawn down its conventional forces, as it did in the 1950s and after the Vietnam War, it came to rely increasingly upon its nuclear deterrent. In recent years, by contrast, the United States has both drawn down both its conventional and nuclear forces. Now, both require modernization.

The tasks of improving readiness and modernizing the force will require additional resources beyond those permitted by the Budget Control Act.

In closing, as we seek to rebuild American military power, we need to keep a couple of things in mind.

First, the Defense Department's capacity to absorb an infusion of resources is limited. The Pentagon is like a person who has been slowly starving for years; there are limits to how effectively it can spend an infusion of cash.

Second, that which is available is not necessarily that which is necessary. Indeed, beyond an infusion of cash, the Defense Department requires a sustained increase in resources. To take but one example, achieving the 350-ship that President Trump has pledged to deliver—or the 355-ship fleet that the Navy now says it needs—or the 348-ship fleet that CSBA believes the nation needs—cannot be accomplished in four or eight years. Our analysis, using the Navy's own models, show that it is affordable, but making it a reality will require a sustained commitment on the part of the Executive and Legislative branches.

The capabilities that the United States needs to remain dominant on the land and in the air against great-power competitors will similarly take time to field. The modernization of the U.S. nuclear deterrent will require time years to accomplish as well. Maintaining U.S. military effectiveness over the long haul will thus require more than a quick (though much needed) infusion of cash in fiscal year 2018; it will require sustained support for defense investment in the years that follow.

Chairman MCCAIN. Dr. Korb, welcome back.

**STATEMENT OF DR. LAWRENCE J. KORB, SENIOR FELLOW,
CENTER FOR AMERICAN PROGRESS**

Dr. KORB. It is nice to be here again, Senator. I was trying to reflect about the first time I ever came before this committee. I do not even remember how many years ago it was.

Chairman MCCAIN. It was during the Coolidge administration.
[Laughter.]

Dr. KORB. If I can put my prepared statement in the record.

Chairman MCCAIN. Without objection.

Dr. KORB. I will summarize it so we can move on to the questions.

I think the first thing to keep in mind, when you are deciding how much to spend on defense, is no matter how much you spend, you cannot buy perfect security. There are always going to be risks. From my own days in government and in the military, a lot of people always complaining we needed more money for something else.

Second is that it is not just the Department of Defense that protects our national security. State Department, AID, Homeland Security—these are all part of it. For years, we urged—we could never get any administration to adopt it—to have unified national security budget so we could see all of these together.

The third thing is you cannot be strong abroad unless you are strong at home. Go back and look at what Presidents Truman and Eisenhower began talking about that you could not just do one and not the other.

The next thing is no matter how much you spend on defense, you need a strategy. I am not quite sure what the new administration's strategy is. Does President Trump believe, as Chairman Dunford said, that Russia is the biggest threat? I am not quite sure.

Then finally, it is not just us. We have our allies that we work with. When we are talking about dealing a threat, we have to take all that into account.

Now, people urging more money for defense usually make two arguments. One is a share of the GDP [gross domestic product] should go to defense. Well, again, I think that in fact if the threat

goes up and the GDP goes down, I would hope we would not be bound by that. Or if the economy recovers more, as it has under President Obama—recovers very rapidly—obviously, the share of the GDP that he allocated to defense did go down.

The second is—and I am sure we will be talking about it—the current state of our military. As I mentioned in my testimony, I was very impressed with the article that General Petraeus and Mike O’Hanlon wrote in “Foreign Policy,” as well as their op-ed in the “Wall Street Journal” last summer which in fact they said there is no procurement holiday. Readiness is getting back to where it needs to be.

The next thing is that no doubt about the fact that the Budget Control Act is not the way to run the government. We all agree with that. In terms of the caps put on, remember, as a result of actions by the Congress, we have given about \$100 billion in relief since that law was passed. Also—Senator McCain has mentioned this several times—the OCO [overseas contingency operations] budget has been used as a way to get around the caps.

All right. Now, in conclusion, basically I do not believe that the Department of Defense has a resource problem. I think the resources, the \$620 billion that was allocated in fiscal year 2017. I believe, as I point out, that it has a management problem.

I was appalled when the Defense Business Board recommended making \$125 billion in cuts over 5 years. The Pentagon tried to bury it. Had it not been for Bob Woodward from Watergate fame, we would not even have known about that. The cost growth in weapon systems, which GAO [Government Accountability Office] has talked about, \$500 billion—and I commend President Trump for talking about the cost of the F-35, and I hope that we can do something about that.

Senator McCain, I like the things in your proposal, some things that we could do to save money. Conventionally powered smaller aircraft carriers, cutting down the buys of the F-35, substituting the F/A-18E’s and F’s for some of the F-35’s for the Navy.

Then finally—and I would urge the committee to take a good look at what former Secretary of Defense Perry and General Cartwright have said about the nuclear modernization program, particularly when it comes to the air-launched cruise missile. I noticed Secretary General Mattis expressed some concerns about that in his confirmation hearing. The land-based and the air-launched cruise missile.

Then finally, if you decide to raise defense spending, as recommended by President Trump and the campaign—and, Senator McCain, I ask you to consider how are you going to pay for it. Do not take it from other things that make this country strong. One, the debt and then, of course, funding for our programs, the infrastructure, education, climate change, all of these things.

Thank you very much.

[The prepared statement of Dr. Korb follows:]

PREPARED STATEMENT BY LAWRENCE J. KORB

Chairman McCain, Ranking Member Reed, and members of the Senate Armed Services Committee, I appreciate the opportunity to appear before you, with the other distinguished panelists, to discuss the appropriate size and distribution of the

defense budget for fiscal year 2018 and the defense program for the fiscal year 2018–2022 period.

In my view this is the most critical national security issue facing the new administration and Congress because in defense, dollars are policy. In deciding how much of our scarce resources to allocate to national security it is important to keep several things in mind.

First, no matter how much this nation or any nation spends on defense, it cannot buy perfect security.

Second, the Department of Defense is not the only federal agency responsible for protecting our national security. The State Department, the Agency for International Development, and the Department of Homeland Security all play a vital role in protecting this country. If we provide so much of our limited resources to the Pentagon that we cannot fund these agencies adequately, our national security will suffer.

Third, we cannot be strong abroad if we are not strong at home. As presidents like Harry Truman and Dwight Eisenhower realized a strong economy at home is the basis for our military might abroad. Therefore, running up large deficits or not providing adequate funds for education, health, or infrastructure as a result of providing too many of our limited resources for defense will impact our national security negatively.

Fourth, whatever level of funding we provide for national security is not as important as having the appropriate strategy to deal with the current challenges facing the nation. Spending large sums of money to deal with threats from a bygone era will not enhance our national security. Just as sequester was, is a non-strategic and unwise way to limit a budget, increased funding that is not connected to a sound defense strategy for the demands we face today will be non-strategic, wasteful, and do more harm than good.

Fifth, in most cases the U.S. does not have to deal with threats to our national security by itself. Nor do we have to use military power as a first resort. Whether it is dealing with Russia, China, North Korea, Iran or ISIS, the United States can work most effectively with allies and partners. The United States-led sixty nation coalition fighting ISIS, the buildup of military forces by our NATO allies to combat aggressive moves by Russia, and the economic sanctions we and the European Union placed on Russia after its annexation of Ukraine, are examples of leveraging all the instruments of our own power and the contributions of our allies to protect our national security.

Despite the many contributions of our allies, Republicans and Democrats, including many of you on this Committee and all recent presidents, have expressed dismay about inadequate defense spending by our partners, even calling them free-riders. That kind of behavior is enabled by profligate U.S. defense spending. We need to spend wisely as we call on friends to honor their side of our common-security bargain.

Many of those who advocate increasing the current level of defense expenditures substantially make two arguments. First, the Pentagon is not receiving a large enough share of the nation's gross domestic product (GDP). Second, our military is not prepared to deal with the current threats because of the limitations placed on all discretionary budgets, of which defense represents half, by the Budget Control Act (BCA) of 2011. But objective analysis demonstrates that these arguments are incomplete and somewhat misleading.

For fiscal year 2017 the defense budget of about \$620 billion will account for 3.3 percent of the nation's GDP as opposed to the 4.7 percent it received in Obama's first year in office. But, this decline in the share of GDP devoted to defense is not a significant reduction in defense spending, but is mainly a result of the fact that Obama's economic policies have led to an economic recovery in the wake of national and global financial disaster. In fact, in real dollars the baseline for the non-war defense budget for fiscal year 2017 is higher than it was when Obama took office. Giving defense a 4.7 percent share of our \$18 trillion GDP or even 4 percent would increase current defense spending by over \$100 billion. An arbitrary level of defense spending is just as non-strategic as sequester. What if we require more than 4 percent in a crisis or war? What if an economic boom makes 4 percent grossly excessive? The budget should be tied to the requirements, not to arbitrary numbers.

Moreover, analysis by experts, like General David Petraeus and Michael O'Hanlon of the Brookings Institution, makes it clear that the current state of our armed forces is "awesome," that we are not facing a readiness crisis and the current level

of defense spending on readiness and procurement is more than adequate¹. This does not mean that the new administration will not face challenges but the challenges are not as much monetary as they are management. Even with the limits placed upon the Pentagon under the BCA, the amount of funding for defense in the National Defense Authorization Act (NDAA), as recently signed by former President Obama, amounts to more in real terms than the U.S. spent on average in the cold war and more than we spent at the height of the Reagan build-up. This amount is three times more than our nearest competitor, the Chinese, will spend this year and accounts for more than one-third of the world's total military expenditures. In addition, our allies account for another one-third. In fact, for 2017, the top ten major powers will spend about \$1.33 trillion on defense. Of these ten countries, only China and Russia, which between them spend about \$230 billion, can be considered potential adversaries.

The BCA caps have not constrained defense spending as much as many assume. The Congress has provided about \$100 billion in relief from the BCA since fiscal year 2013, and at least half the Overseas Contingency Operations (OCO) account, which is not subject to the BCA caps, has been used for enduring programs that have nothing to do with the wars in the Middle East or Afghanistan. In other words a significant part of the OCO account is a slush fund that allows the Pentagon to get around the BCA limitations.

Before the new administration and the Congress adds significant funds to the fiscal year 2018 budget, as recommended by President Trump and Chairman McCain, they need to take a close look at how the Pentagon is currently spending the large amount of funding it currently receives, especially in at least four areas.

First, as noted in a recent report by the Defense Business Board the Pentagon could save \$125 billion by cutting the size of its headquarters or administrative staff which has grown by 38 percent since 2001. However when this report, which was commissioned by the former administration, came out, rather than endorsing it, its leaders tried to bury it in no small part because they believed it would never get support from the Congress. Congress should be leading on finding savings, not just adding dollars to our defense budget.

Second, the Pentagon needs to curb the cost overruns on its major acquisition programs. In 2015, according to a report by Deloitte, the combined costs overruns for the major acquisition programs was \$468 billion, something Government Accountability Office (GAO) has been pointing out for years. Chairman McCain himself has called these overruns absolutely outrageous. Congress and the new Administration should take advantage of their unified political control of the government to get an actual audit of the Pentagon and begin a clear process of reform to improve acquisitions.

Third, the Pentagon should adopt some of the recommendations made by Senator McCain in his excellent report, "Restoring American Power." Specifically, the Pentagon should: develop a high-low mix of aircraft carriers by building smaller conventionally powered carriers rather than simply continuing to build only \$15 billion nuclear powered *Ford*-class super carriers; cut the total number of Air Force F-35's from 1,732, a number Chairman McCain correctly points out is unrealistic; and get the Navy to stop production of the poorly conceived and managed Littoral Combat Ship (LCS) at 28, as opposed to the Navy's goal of 52. The Navy should also buy more F-A 18 Super Hornets and fewer F-35's.

Fourth, the Pentagon and Congress should adopt the proposals put forward by former Secretary of Defense, William Perry, and former Vice Chairman of the Joint Chiefs of Staff, General James Cartwright, and cancel the new land-based missile and air-launched cruise missile portions of the multi-billion dollar nuclear modernization the Pentagon is currently undertaking, something we endorsed in our report, "Setting National Priorities for Nuclear Modernization." These steps would be a good start toward improving the management and stewardship of our defense dollars and should be implemented before Congress approves major spending increases.

Thanks again for the invitation to once again appear before the Committee. I look forward to your questions as you deal with these critical issues.

Chairman MCCAIN. Thank you, Dr. Korb. I just would like to point out that over the last eight years, defense spending, OCO and everything included, has declined by some 21 percent. I do not be-

¹O'Hanlon, Michael and Petraeus, David. (2016, September/October). America's Awesome Military And How to Make It Even Better. *Foreign Affairs*. <https://www.foreignaffairs.com/articles/americas/2016-07-22/america-s-awesome-military>

lieve that most observers would agree that America is 21 percent safer.

You mentioned President Truman, and I am a great admirer of President Truman. It is a fact that we were not ready when the Korean War took place. In fact, we were not only not ready, we sacrificed so many brave young people who simply did not have the ability to counter the North Korean attack.

Then, of course, we get back into the 1970s after the Vietnam War when the Chief of Staff of the United States Army, General Meyer, testified before this committee that we had a hollow Army.

Well, our uniform military today are testifying before this committee that we are putting the men and women in uniform at greater risk. That is the opinion of those who we ask to lead the uniformed military. That should disturb all of us. It is our young men and women who are now serving in uniform in harm's way, and if their leaders say that their lives are at greater risk, we should be taking whatever steps we can to make sure that their lives are at less risk. That means, in my view, first of all, repealing this mindless sequestration.

I do agree with you, Dr. Korb. There are other areas of national defense. Homeland Security is a major one. CIA [Central Intelligence Agency], all of these other agencies that are not strictly defense, particularly in this new kind of warfare that we seem to be engaged in, which I guess brings me to my question.

We will begin with you, Mr. Wood, and this may be a little bit generally. We have a new President, and there are conflicting statements being made. This new President has said he wants to rebuild the military. Yet, at the same time, he says he wants better relations somehow with Vladimir Putin. At the same time, I think most of us—I think all of us—would agree we have an outstanding national security team and one that has gotten near unanimous agreement of Members on both sides of the aisle. Here we are in a very interesting time, which is one of the reasons why we had this hearing.

Beginning with you, Mr. Wood, what would you recommend to the President as a correct defense strategy?

Mr. WOOD. Well, I do not think there are internal inconsistencies or contradictions. I mean, we think back to the Cold War—you are very familiar with that—that even while we tried to maintain a very forceful posture militarily—NATO was certainly there on the inner German border across from Warsaw Pact countries—you still had open lines of communication with Moscow. I think we should always be striving to do things diplomatically, economic initiatives, those sorts of things to lessen the chance of war.

Chairman MCCAIN. I would also remind you that the first thing—the first thing—that President Reagan—his first priority was rebuilding the military.

Mr. WOOD. Absolutely. Along with that, that does not mean that you keep your military depressed. The economic and the diplomatic initiatives are amplified. They are made more effective by a strong military posture. Where we have declined in that regard, our words are taken much less seriously in capitals around the world both by competitors in Moscow and Beijing and Tehran, but also by our own allies. I think rebuilding the military is the first step to mak-

ing more effective the diplomatic and economic levers that we would have in other areas.

Chairman MCCAIN. Dr. Mahnken?

Dr. MAHNKEN. Mr. Chairman, several things.

I think we need a truly global strategy. We are the world's only global power, but at the same time, we also deal with competitors in different regions and beyond. We need a global strategy that also deals with regional challenges. I think the new administration is going to have to make up its mind as to which of the challenges deserve the greatest attention and which lesser attention. I tend to believe that great-power challengers such as China and Russia really do deserve the greatest attention, and then we should stress test our capabilities and our force against regional challengers such as North Korea and Iran, all the time acknowledging the need to continue the campaign against ISIL and al Qaeda.

Chairman MCCAIN. Dr. Korb, which would be not only your view on the strategy but of priorities?

Dr. KORB. Well, I think the two biggest challenges we face are Russia and China. I think President Obama's European Reassurance Initiative is the way to go, and I agree with President Trump and also the last four Secretaries of Defense that told NATO that you have to step up more to be able to deal with it and I think we are.

I think President Obama's rebalance to the Pacific showed that China is a much bigger threat to the United States than what is happening in the Middle East. I think we need to add more ships to the Navy. I think your suggestion about 18 more ships I think would be good over the next 5 years, and also stopping the littoral combat ship and getting these smaller aircraft carriers would be a way to have the presence.

I think that basically we ought to not just use military power but economic. I think the sanctions were the way to handle what happened in Crimea. They are beginning to have an impact. The Russian military budget is going down. President Putin has had to back off from his modernization plan.

I think the way that we are fighting ISIS with the other 60 countries in the coalition is the way to deal with it.

I think that the sanctions brought Iran to the table. Now, we can debate whether that was a good deal or not, but the fact of the matter is we did get a deal that is a step in the right directions, and it was without military power. I think the economic thing.

Then finally, I think North Korea—you are going to have to work with China and the countries in the region. I applaud the decision to put the THAAD [Terminal High Altitude Area Defense] missiles in South Korea because that has got China's attention. They do not like that. Hopefully they will do more to bring North Korea to stop their provocative actions.

Chairman MCCAIN. Thank you, Dr. Korb. You sound a bit hawkish this morning.

[Laughter.]

Chairman MCCAIN. Thank you. I have enjoyed our exchanges over the years, and I think you have contributed a lot to the dialogue.

Senator Reed?

Senator REED. Well, thank you, Mr. Chairman. Thank you again for holding this hearing because this is going to be one of the most significant issues we discuss not just today but in the many, many months that follow.

Dr. Wood, the concept of national security extends beyond the Department of Defense—I think you would agree with that—so that any relief from the Budget Control Act would logically have to extend to at least those agencies. Is that your viewpoint?

Mr. WOOD. Yes, Senator, it is. I mean, I think the first and foremost responsibility of the Federal Government is to provide for the security of the United States. Other things that it does oftentimes overlaps with what can be done at the State and local community, religious group types of levels. Where you see 70-plus percent of the federal budget dedicated to social and economic programs and an increasingly smaller percentage dedicated to defense, I think priorities are out of whack there. I agree completely with my fellow panelists and with yourself that the intelligence community, Homeland Security, activities of the Coast Guard, all those things contribute to the security, and that should be taken in total, not the Defense Department specifically as some exclusionary account.

Senator REED. Dr. Mahnken, your sense?

Dr. MAHNKEN. Look, I would agree that national security is more than defense, and in recent years, because of the incapacity of other parts of the national security community, the Defense Department has been forced to step in, whether it was after Katrina or in other circumstances. I would also say that unless DOD and the U.S. Armed Forces excel at their core mission of fighting and winning the Nation's wars, nobody else is going to be able to do that. With that in mind, I absolutely agree.

Senator REED. Dr. Korb, I think you have said you agree.

Dr. KORB. I can agree with you. I agree with you 100 percent. I think we have got to have a unified national security budget. Whatever amount you decide to spend on the Department of Defense, the Homeland Security, the State Department, AID, we have got to look at it together so we can make some tradeoffs to make sure that things that we would like to do are more important for Homeland Security than the military because there is never going to be enough money to buy perfect security. It is always going to be limited. I think, therefore, you need to make these particular tradeoffs.

The budget, for example, for the State Department and AID together is about \$50 billion. Okay. We have got more people in the military bands than in the Foreign Service. Is that really the way that we want to do things? Those are the things I think we need to take a look at.

Senator REED. I can recall listening several years ago to the Chairman of the Joint Chiefs of Staff saying that the number one national security problem was the deficit. I am just trying to do the math in my head. If we significantly increase military spending, if we significantly invest in infrastructure, which is one of the commitments both sides made during the election campaign, and then we cut taxes, there is a strong argument that we are going to have significant deficit repercussions. How do we avoid that other than by trying to find revenue?

Mr. WOOD. Well, again, I think it is reassessing what your priorities are in terms of what the Federal Government is supposed to be doing and where it decides to spend its money. This issue of debt, inflation, economic trend lines has been appreciated by every President that I can think of. Eisenhower made a great argument about the devastating impact of inflation on the U.S. citizen. It is not really a matter of decreasing defense spending or defense spending at the expense of the intel community, it is really about what is the priority of the Federal Government and how does it choose to spend the taxpayer monies that are provided to it. To the extent that it takes risk in security for the country and its citizens and our interests globally, that is a choice that Congress is making and the President when he or she submits the budget.

Senator REED. Dr. Mahnken, quickly.

Dr. MAHNKEN. No. Look, I would agree. Providing for the common defense is one of the core functions of the Federal Government. We can disagree about other functions, but that is core.

Senator REED. Dr. Korb?

Dr. KORB. I think one of the biggest mistakes we made was when we went into Afghanistan and Iraq, we did not raise taxes to pay for it. Those wars were fought on the credit card, and that created some of the deficit problems that Admiral Mullen was concerned about when he was on Active Duty and since he has retired. Not only did we not raise taxes, we cut them twice, and we are still paying for that. The Brown University, the Watson Center in your State has talked about the cost of these wars is going to be somewhere between \$3 trillion and \$6 trillion that we did on the credit card. We need to understand that.

If in fact we decide that the threats are increasing and we need to rally the American people to spend more, let us talk about ways in which we are going to pay for it because I think that would get people much more involved. You may remember that in Vietnam when Wilbur Mills got Lyndon Johnson to put a surtax on, that got people's attention about what was happening there.

Senator REED. Thank you.

Thank you, Mr. Chairman.

Chairman MCCAIN. Senator Inhofe?

Senator INHOFE. Thank you, Mr. Chairman.

Dr. Korb, I observed the same thing the chairman did. I am a little more hawkish. I was ready to talk and to kind of pursue the statement in your written record that BCA caps or sequestration have not constrained defense spending as much as many assume. If you go back and you look at the hearings that we have had before this committee in the last couple years, without exception every combatant commander, all the rest of them who have come before us have disagreed with that statement. Did I understand this right?

Dr. KORB. What I was saying is that when people talk about the BCA caps, they do not take into account the fact that you have given them relief. I looked it up going back to when it was passed. Roughly about \$20 billion a year over the last 5 years. That is about \$100 billion in relief. For example, the budget in the NDAA [National Defense Authorization Act] this year was roughly—you added \$3 billion more to the number that you had given last year.

The other is—and lots of people, including Senator McCain, have pointed this out—the OCO budget, or the warfighting budget, has been used to get around it. The best estimate by the DOD comptroller for fiscal year 2017 is about \$30 billion. Therefore, when you say the BCA cap was 500 or 50, or whatever it might be, by putting that OCO money, you really got more for the base budget.

Senator INHOFE. Okay. I understand that.

Dr. Korb, you talked about—you criticized the percentage of GDP. When you just look at the raw figures and you see that we are spending now 16 percent of our defense spending—on defense spending of our total budget, and as recently as 1964, it was 52 percent—I mean, something has changed. We were wrong then or are we wrong now? What do you think, Mr. Wood?

Mr. WOOD. I think we need to fund defense commensurate with our interests and challenges to those interests. I agree that there has been some relief given in BCA. The BCA was never intended to provide adequate security. In fact, it was the opposite. The Budget Control Act and sequestration levels were meant to be so painful that it would force the Super Committee to find \$1.2 trillion in savings in other areas of the budget. When that failed and these painful cuts were enacted, it was supposed to be painful, and we are seeing the consequences of that.

Further, the relief was not total relief from BCA cuts, and it certainly does not account for the ongoing cost of operations. Where things get worn out, blown up, people are injured, you are using fuel and bombs and those kinds of things, a marginal relief on a year-by-year basis does not account for that. I think the priorities are out of whack.

Senator INHOFE. That is key right there because people say, you know, where is it going to come from? Priorities. I disagreed with—I do not remember which one of you said that it is an equal concern. I think defending America is the number one concern. I mean, that is the way I have always thought. In fact, the old measure that we should size the posture and fund our military to fight and win two major wars in different regions of the world near simultaneously—is that still a good idea? What do you think, Dr. Mahnken?

Dr. MAHNKEN. I do because we always want to have that margin of safety, and we also want to have that margin of deterrence. I think unfortunately in the last Quadrennial Defense Review, the previous administration walked away from that two-war standard and I think that needs to be reestablished.

Senator INHOFE. Yes, I think so. During the last administration, it was pretty well decided by the President—and a lot of the Democrats agreed with him—that if you address sequestration for the military, you have to do an equal amount for the non-defense spending. To me, that tells me that that is not the priority. How did you interpret that?

Mr. WOOD. I agree. I think it was appealing to various constituencies and your prioritizing spending in other areas, social spending, agricultural bills, those kinds of things at the same level as defense of the country. I agree with Dr. Mahnken that defense of the country should be the priority.

Senator INHOFE. Thank you, Mr. Chairman.

Chairman MCCAIN. Senator King?

Senator KING. First, I want to commend the chairman for the White Paper. It is a very thoughtful and important document, and I have always thought that the first person to put pen to paper has the maximum amount of power. I appreciate that. I think it was a brilliant step to begin this discussion.

One of the things the White Paper talks about is assumptions and faulty assumptions. We have been talking about all strategy is based on assumptions. We need a strategy.

One of the assumptions is—several of you mentioned China. Clearly, we can see from the facts on the ground that Russia is in a new phase of aggression in the Ukraine and Crimea, in Syria, other areas. I am interested in what your assessment is of China's—what is your assumption of what China wants? Because they do not seem to be demonstrating that kind of at least military ambition. Is it economic hegemony in their region? We all know about the South China Sea. What are the assumptions about China, and are they the same level of threat to the United States from a military point of view as Russia? I see them as distinct. I would be interested in your thoughts. Dr. Wood?

Mr. WOOD. I think different countries and different leaders in different countries, different cultures behave in different ways that correspond with their particular perspectives even if they have the same objectives. I think Russia and China both have objectives of being hegemons in their respective regions, Russia much more in a militaristic sense, China in an economic sense. China does not have to do the same sorts of things that Russia is doing in Ukraine and in Syria to have a dominant influential posture relative to the neighbors in its region. If it keeps everybody intimidated, kind of cowed, it has economic dominance, it causes its neighbors to account for Chinese interests in their calculations—

Senator KING. That is not a military threat. My question is, how do we adjust our military in relation to the threat? Other thoughts? Dr. Mahnken?

Dr. MAHNKEN. I would say one common thread between China and Russia is that they are seeking to revise the international status quo that has governed for decades.

Senator KING. It is an economic status quo you say.

Dr. MAHNKEN. Political and military. I think they are all intertwined. More than what the Chinese Communist Party leadership wants, I think, is what they believe they deserve, and I think that is an important distinction. We look at building new geographic features in the South China Sea, and we see that as kind of creeping expansionism. No. Look, they believe that it already belongs to them. They believe that they are merely asserting control over what is justifiably theirs. That to my mind poses a much greater challenge than a country that is sort of being opportunistic. I think whereas Russia is in many ways a declining power—and it has already been alluded to in the economic dimension. It is also true in demography and other ways as well—the Chinese leadership at least sees China as a rising power and sees this century as being theirs. Again, I think that makes them a greater challenge as well.

Senator KING. Do they have military designs on Korea or the Philippines or Japan?

Dr. MAHNKEN. I would argue that even short of military designs on Korea, the Philippines, or Japan, merely what the Chinese leadership sees as theirs, large parts of the South China Sea, Taiwan, parts of India—merely that poses a threat to the international order. It poses a threat to allies and also poses a threat to U.S. territory, including our territories in the Western Pacific.

Senator KING. Dr. Korb, I am almost out of time, but your thoughts.

Dr. KORB. I think basically China is trying to assert control, I think as Dr. Mahnken said, over what it sees as its proper territory. They are not an aggressive power in the sense that they worry about the Japanese. If you go to China, they still have not gotten over World War II when it comes to the Japanese. They are concerned about their economic growth because they cannot keep going like they have, and I think that is why they try and get more of these resources in the South China Sea. I think that is why President Obama correctly had the pivot to the Pacific, or rebalance, to show them that there is a line if they upset the freedom of navigation, that we will take action.

The other thing is in the long term, these actions that they are taking will hurt them. The Japanese are spending more on defense. South Koreans are. The Vietnamese are very concerned, and they are beginning to work again with us. Unfortunately, the very erratic person that just took over the Philippines is not doing what needs to be done.

Now, I want to say this and it will not be politically popular. Not supporting the TPP [Trans-Pacific Partnership], even if you wanted to modify it in some way, is the worst signal we could have sent to dealing with China because had we done that, I think that that would have united a lot of the countries in the region against them and would have got them to modify some of their behavior if they wanted to be part of it.

Senator KING. Thank you.

Thank you, Mr. Chairman.

Chairman MCCAIN. I agree.

Senator Ernst?

Senator ERNST. I agree as well.

Thank you, Mr. Chair.

I would like to start with a fairly small program that I believe has significant impact overall. To you, Dr. Mahnken, I know that while you were serving as a Navy reservist, you deployed to Kosovo. I want to thank you for that service very much.

Kosovo is important to me personally but also to the State of Iowa as well. Iowa's National Guard and Kosovo worked together through the State Partnership Program, a program that was started to strengthen our security in that region after the fall of the Soviet Union. I believe it is a great, great program with a lot of impact in that area.

Last year I was pleased that my efforts ensured the program was permanently authorized, and going forward, I want to make sure that it is properly funded.

To you then, Dr. Mahnken, would you agree that we need to ensure our budget properly funds programs like the National Guard State Partnership Program? Then if you could in regards to Kosovo

specifically, can you talk about how important it is to have those relationships in that area for their own security?

Dr. MAHNKEN. Thank you, Senator. Good catch on my bio. That seems like a lifetime ago, but I do appreciate you bringing that back.

Look, I do think that programs like that are very important, and I think they really leverage expertise in the Reserve component and they also build enduring relationships.

I think one of the problems that we have encountered, one of the challenges that has come with our operational deployment pattern over the last 15 years is a lot of habitual relationships have been disrupted. I mean, traditionally it was not just National Guard but special forces we relied upon to develop habitual relationships with partner militaries across the world. In an era when, for good reason, many of those relationships have been disrupted, I think things like the National Guard partnerships really have filled a key role. I think going forward, establishing and maintaining those relationships with not just our allies but our partners is going to be all the more important. I am fully behind programs like that.

Senator ERNST. Thank you very much.

I know, Dr. Korb, you had stated that we do need to involve more partners. I think this is a way of developing some of those partnerships with nations that really share a lot of our same values as well. Do you have any input on that?

Dr. KORB. Well, I do and I think, as Dr. Mahnken pointed out, this is very critical. We are not in this alone. Threats that we face are global. We work with various countries at different times. At the beginning of the Obama administration, the United States worked with Russia to allow our supplies to go through Russia to go to Afghanistan. There are areas that we can work on. We have had arms control agreements going back to the Nixon administration.

The other thing I think is important to keep in mind is that the National Guard and the Reserves are not just strategic. They're operational.

Senator ERNST. Absolutely.

I have fought that for years to get it funded. In fact, before this committee, General Kaine and I almost came to blows one time when he objected to my saying that. I think that's so critical because it is a total force. As we found out during the height of the wars in Iraq and Afghanistan, even today, those folks can add to the capacity that we have.

Senator ERNST. Thank you very much.

Dr. Mahnken, just very briefly. I have got about a minute left. You are the author of a book entitled "Strategy in Asia." One of my greatest concerns is the Islamic State and its spread into Southeast Asia. If you could, talk a little bit about our forces and how you would say we should budget and prepare those forces to deal with issues like ISIS [Islamic State of Iraq and Syria] in Southeast Asia.

Dr. MAHNKEN. I think that is just one area where we have some very strong partners, non-allies, but countries like Singapore and Malaysia and others. I think they have, by and large, been doing a very good job by bolstering the identity of their citizens and hard-

ening their citizens against influence by groups like ISIL. I think working with partners is absolutely key.

I think we can play a role. I think largely that role is behind the scenes, supportive. I think that is as it should be. As I look at kind of the global campaign against ISIL, Southeast Asia still remains I think largely a success story, and I want it to remain that way.

Senator ERNST. Fantastic. Thank you, gentlemen, very much.

Thank you, Mr. Chair.

Chairman MCCAIN. Senator Warren?

Senator WARREN. Thank you, Mr. Chairman.

Thank you all for being here today.

The debate over defense spending is often about the importance of the top line numbers. The efficient distribution of those dollars is also critically important. Part of achieving our efficiency is making sure that we are spending money in a way that aligns with our priorities and our positions and that positions us to address current and emerging threats. While states like Russia and Iran and North Korea and others threaten our interests, our military engagements today are increasingly low-intensity armed conflicts and cyber-based conflicts against both state actors and terrorist groups and other kinds of non-state actors.

Let me ask you this. Dr. Korb, can these modern threats and challenges be fully addressed by large spending increases on traditional military investments like troop levels, ships, planes, and nuclear weapons?

Dr. KORB. I think you raise a great point because of the fact that the Military Services basically have an identity and they always try and move ahead with that identity. Threats like cyber, for example, which are seen as nontraditional—for example, the special forces would not even have gotten the funding that they have gotten over the years unless Congress set up a separate Assistant Secretary for Special Operations Forces because they were getting lost in the budget.

I think you have to be careful. As I pointed out in my testimony, you do not want to deal with threats from a bygone era. Secretary Gates said any Secretary of Defense who recommends to a President to send large land armies into the Middle East or Africa should have his head examined. Then you ought to say, well, why do you need a large land Army? Those are the type of things that you need to do.

I think it is important to keep in mind if you go back and you look at the history, in the 1990s the military fought against developing drones. It was the CIA drones that we used in Afghanistan after the attacks of 9/11. So, yes, you have to because they always want to stay with their traditional missions.

Senator WARREN. That is very helpful. Thank you very much. I appreciate that, Dr. Korb.

It is easy to talk about spending more. The hard question is spending smarter and budgeting our defense resources based on 21st century threats in a way that enhances our military strength and lets our diplomacy complement our military strength.

Efficient spending is also about eliminating waste. In its annual report last April on wasteful and duplicative programs across the Federal Government, the GAO identified several areas where the

Defense Department could achieve savings in areas like acquisition, contract management, and facilities maintenance. According to this report, from 2011 to 2016, GAO directed 152 recommendations to DOD to achieve savings, but 95 of these recommendations—that is about two-thirds, 63 percent—remain only partially addressed or not addressed at all.

Dr. Korb, what are some of the major reforms that would be most effective toward eliminating wasteful spending?

Dr. KORB. Well, I think the first thing to take a look at, as I mentioned in my testimony, is what the Defense Business Board said is the buildup of the administrative part of the Department of Defense. The committee last year in the NDAA told them to cut back. It is not just civilian, but it is also the military staff I think is important.

The other is—and I commend President Trump for doing this in terms of the F-35 contract. I hope that rather than just tweets, he really gets involved in dealing with it because I think that is very, very, very important. These cost overruns—we have not done as much as we should for the penalties. I think that, as I mentioned in my testimony, some of the things that Senator McCain recommended in his budget in terms of letting the Navy who for years wanted to buy F/A-18E's and F's rather than the F-35's because they felt that they could deal with the threats that they would face—the littoral combat ship, when it turned out to be a disaster, nobody did anything about it. So, yes, I think there are things that we can do.

I have written this several times. Unless you get a Deputy Secretary of Defense like a David Packard or Charles Duncan, who came from Coca-Cola, or Don Atwood from General Motors to do these things, it is going to be very, very hard.

Defense—they have not even passed an audit yet. Okay? We keep waiting and waiting, and you keep saying, well, when is it going to happen? Well, you have got to have it.

Senator WARREN. Well, I appreciate that. I know there are always push-backs on audits and they cost time and money, but there is a lot of cost of not doing an audit as well.

Thank you, Mr. Chairman.

Chairman MCCAIN. Senator Perdue?

Senator PERDUE. Thank you, Mr. Chairman.

Last week now Secretary of Defense Mattis agreed and made the comment that the greatest threat to national security is our own federal debt. Mr. Wood, do you agree with that?

Mr. WOOD. From a non-military standpoint, yes, I do. I mean, to the extent that the Nation is evermore in debt, \$20 trillion, it lessens your ability to spend on defense.

Senator PERDUE. Thank you.

Mr. WOOD. Debt does not bomb cities. It depends on how you define it.

Senator PERDUE. Right.

Dr. Korb, I agree that—and there have been studies that we can certainly procure better and smarter. The Federal Government does not even have a capital budget, and so it is very difficult to plan for a multiyear acquisition.

I totally agree the Department—I think I agree with our chairman. The Department of Defense does need an audit. I think it would help us see a lot of things and actually become more efficient in our procurement.

I want to focus on a couple things that we have talked about today.

We are talking about the needs in the military without talking about the missions and the mission requirements from a bottom-up standpoint. The last time anyone really did that was Bob Gates in 2011, and he made a five-year estimate and for fiscal year 2016, his estimate was some roughly \$100 billion more in current dollars, greater than what even the President was asking for for this year, at the very time that I would argue that we are facing threats. I agree with my colleague from Massachusetts that we are facing various different threats, but they are additive. They are not replacement threats.

We have a five-plus-one mission today versus a one-plus-one mission through most of my lifetime through a nuclear deterrent. When you look at Russia and China being symmetric threats—you have asymmetric threats in ISIS and all the terrorist activities. Then you have the rogue nations of North Korea and Iran with a nuclear threat. Cyber we are beginning to talk about. We are not even beginning to talk about the arms race in space yet.

I would argue that at a very time when our threats are additive, we are talking about reducing to the point where today we have the smallest Army since World War II, the smallest Navy since World War I, and frankly the oldest and smallest Air Force ever. I do not know what that size should be, but there are experts. If we would do it from the bottom up based on missions, we would get there.

I just have a simple question very quickly. Mr. Wood, do you agree that the Budget Control Act today is an inhibiting factor that is arbitrary in terms of what we are doing in terms of evaluating what we need to spend in light of the fact that we do need an audit, we do need better procurement practices and a more efficient way to actually run the Department of Defense? Do you agree the BCA now should be repealed?

Mr. WOOD. I do and without reservation.

Senator PERDUE. Mr. Mahnken?

Dr. MAHNKEN. I do, Senator.

Senator PERDUE. Dr. Korb?

Dr. KORB. I do not think any arbitrary ceiling should be there. However, I think that roughly \$620 billion for fiscal year 2017 was more than adequate to deal with the threats that we currently face.

Senator PERDUE. Thank you.

Mr. Wood, at current levels of operational tempo, the concern I have is deployments are getting longer, families are being broken up. The number is certainly questionable in terms of how many troops we actually need in a voluntary military. I am very concerned about the increased deployments and our inability—and I can tell you from trips around the world where we are not able to fulfill the missions today because either we do not have the equipment—you both talked about balance of manpower and equipment, and I certainly agree with that. I am concerned today about the

shortage of certain pieces of equipment in certain theaters that keep us from meeting certain mission requirements today. They are very real and they are not yesterday's war. They are the current issue. We saw in Benghazi—that is not a state-on-state war, but we had men die there. I am very concerned that we continue to look at the operational tempo.

Do you believe that we can maintain this current tempo at the current size without really looking at the mission requirements going forward?

Mr. WOOD. I do not. There is a huge imbalance that you just so well described. We are currently in a death spiral where you have lack of money to repair things and send it back. That means you have fewer end items. Fewer end items means that the things that are in the force should then be used more, and so you consume the life of that end item, whether it is a ship or a plane or a tank, that much more rapidly. It just feeds on itself, and unless we get BCA relief by getting rid of that and expanding the force—we currently have two-thirds the force that we need based on 70 years of experience. That is the only way we are going to get out of this death spiral.

Senator PERDUE. Mr. Chairman, I am out of time, but I fully support this effort to look at this from all angles. I am very concerned that over the last 30 years, our history has been that in the 1970s disinvested in our military, in the 1980s we recapped it, in the 1990s we disinvested, in 2000 we recapped it. Now after 15 years of war, we need to think about how to replace and recap our military at the very point in time when we have \$20 trillion of debt and we have our Social Security, Medicare, and mandatory expenses over the next 20 years running away from us. This is a time, Mr. Chairman, we have got to get serious about how we look at our debt crisis and how we look at our allocation of limited resources across the entire Federal Government and actually be smarter.

I certainly applaud today's hearing. I hope we have many more. Thank you.

Chairman MCCAIN. Senator Gillibrand?

Senator GILLIBRAND. Thank you, Mr. Chairman.

I focus a lot on military families and their wellbeing, and one of the things we have heard about from our families is the current rules do not accommodate them. If someone gets transferred somewhere, the husband might leave, the family still has school to finish, get a change of job. There is no accommodation for when they move.

We are trying to change that. Senator Blunt and I had a bill that was passed by this committee in the NDAA but taken out in conference.

Just a more general question. We are really dealing with 21st century families in a 20th century military personnel system. It is really set up for the days when mom and dad did not both work. It is set up for the days when mom stayed at home. It is set up in the days where a lot of the military personnel were single.

What can we do to change the system to address the challenges military families confront today?

Mr. WOOD. Anyone in particular?

Senator GILLIBRAND. Anyone.

Mr. WOOD. Over a 20-year career and something like a dozen moves, my wife certainly has an experience with schools and finding new doctors and what church do you plug into and the whole bit. We are very sympathetic to that problem.

One problem the services have is these continuing resolutions where money is put on hold. That is money that can be used for PCS, or permanent change of station, types of moves. Under normal circumstances, the military tries to do most of its moves during the summer season between academic years, but when you have very short notice about how much money is available, sometimes you have these interruptions that come in. Then you have unexpected openings for a variety of reasons and a billet just needs to be filled.

The Military Services are extraordinarily sensitive to and sympathetic to the toll taken on personnel policies and the movements of these families. They have done a lot to look at that. Stability in funding would go a long way to stabilizing these sorts of moves and enable families to better prepare with longer lead time. Again, I go back to the funding issue. Continuing resolutions, bad; BCA, bad. We just need more and stable over time.

Senator GILLIBRAND. Similarly, we have had a number of hearings about the importance of cyber defense, cyber warfare, cyber expertise. We have talked a lot about making sure we are using the National Guard effectively because if you have got a guy working at Google who is the best computer scientist and he happens to be in the National Guard, he should be part of that work.

More broadly, what is the most effective employment of additional funding in addressing the current needs for the military's cyber needs? How can we more effectively recruit and retain our cyber warriors?

Dr. MAHNKEN. Senator, I think the answer both to your previous question and to this is flexibility. I think trying to bring in cyber expertise through the Reserve component is part of it, but I think more broadly the military, I think for understandable reasons, tends to accord rank with seniority with pay. In the cyber world, certainly in the private industry, those things do not always align. I think what we need to do is think about some authorities that give the services greater flexibility to really tap into the deep expertise that we have in our society and bring it into the service of our Nation's defense.

Senator GILLIBRAND. My last question is about—and, Dr. Korb, you can answer this one—this issue of sequestration. I did not vote for sequestration. I thought it was a terrible idea, and I knew it would end up where we are today. Do you think that if we raise the defense budget, we should also raise our domestic budget?

One of the reasons why I ask that question, there are certain accounts in the domestic budget that very much affect the wellbeing of the men and women we are recruiting for the services. If we neglect or ignore those accounts, we will not have the fighting force we need. I'd like your thoughts on that.

Dr. KORB. Yes, Senator, that is an excellent point because you want to recruit the best and the brightest to come into the service,

but if they do not have good education, they are not going to be able——

Senator GILLIBRAND. Even good nutrition. I mean, we had a whole hearing in the Ag Committee [U.S. Senate Committee on Agriculture, Nutrition, and Forestry] about obesity, that so many of our recruits are coming in not physically fit and obese because our nutrition policy is not supporting fruits and vegetables and healthy foods in schools.

Dr. KORB. Similarly, if you do not fund health adequately, for example, like we do through the Affordable Care Act, you are not going to have them come in. So, yes, it does contribute to national security.

I think it is important to keep in mind something President Eisenhower did. When he built the federal highway system that we all use, basically he said that will contribute to national defense. After the Russians launched or the Soviets launched Sputnik, we needed a National Defense Education Act because if you want to bring in these people—and I go back to the point that Dr. Mahnken made—you are going to have more flexibility of people coming in and out of the service or not just coming in and you got to stay for 20 years if you want to get these people.

The other thing. You know, your first question about military families—I got to tell you something. We have a policy about how long you should stay. The services violate it all of the time. They move people around. When I was there, I said, you know, you had 3 years of minimum, and people would come at their retirement system, like Colonel Wood said. This family moved around 18 times in 20 years. I said what happened to your policy. There are things that you can do.

You can also look at the spouse's employment. If you have a chance to put a Navy person in San Diego or Norfolk and his or her spouse is a lawyer in Virginia, you ought to send him to Virginia. I mean, just things like that to try and get them, but the bureaucracy—oh, no. They have got to do more of this for the families because given the strain that they have been under for the last 15 years or so.

Chairman MCCAIN. Senator Tillis?

Senator TILLIS. Thank you, Mr. Chair.

Senator Gillibrand, I am looking forward to serving with you on the Personnel Subcommittee because these are the kinds of things that we can do a better job of I think.

Dr. Korb, I wanted to start with you. You said something in your opening comments and your answer to Senator Perdue's question. I liked all of your answers, but I liked your answer best. That had to do with sequestration. I am curious as to all your reactions.

I have spent two years and I have spoken with a number of people in uniform who are very capable managers of the organizations that they are responsible for. Most of them have more of a concern with how they are allowed to spend the money than how much money they have to spend. I think a discussion about let us plus up defense spending so that we can plus up non-defense spending, some of which complements defense, some does not, is not necessarily the best way to start looking at how we do a better job of budgeting and executing in a more fiscally sound, sustainable way.

I think that if we started by looking at sequestration for the person around the kitchen table to understand that sequestration is a blunt force object. It is a budgeting technique that would never be used in a Fortune 500 company because it would cut evenly your programs that are the most promising, most productive with those that are the least promising, least productive. Do you all agree with that?

I want to get to something else, though, because I think we can only go so far with improving the fiscal execution of the DOD unless we recognize that some of the inherent inefficiencies are a product of decisions made by Congress. I remember when the 440th was removed from Pope Army Airfield last year speaking with someone in the Air Force who said, you know, Senator, we are sorry but it was sixth on the list. The question was, well, why not one through six? Well, they were protected by BRAC [Base Realignment and Closure] or they were protected by statutory action which made it impossible for us to do the thing that we wanted to do which was spend the least amount of money while preserving the best capability and readiness that we have.

Has there been much work done over, say, modern history to say if you really want to set people before this committee and tell them to be more efficient and use the dollars more wisely, that you need to go back and relook at constraints that Congress has placed on them in Republican and Democrat administrations so that you can truly achieve the efficiency we would like to? I open that up to anyone.

Dr. KORB. Yes. I think very definitely. People do not understand why you need a BRAC to close bases. Up until the late 1970s, the Pentagon could decide what bases it wanted to open, to close. Then the Congress put an amendment on that said before you did that, you had to basically do all these studies. They brought the process to a halt. I worked with the late Senator Goldwater to deal with this thing and that led to the setting up of the BRAC. We have not had a BRAC since 2005, and the Pentagon estimates about 20 percent excess capacity. Just think what you could do with some of that.

Senator TILLIS. My time is limited. Unless you all disagree with that—to me a part of what we have to do is transparency in these decisions. You know, when a decision is made that has a material effect on the presence of any area of the DOD, if it comes down to—while I recognize that maybe we are optimizing training, readiness, *et cetera* by moving here, a decision or a constraint that was placed on us is going to require us to sacrifice some of that because of the congressional mandates that you have on factors that have nothing to do with that. I think that our process really needs to start looking at that.

I will fight for North Carolina when it makes sense for North Carolina. I would never advocate for a change in the recommendation from the DOD if I am completely convinced that that is a dime better spent in some other State.

Do you agree that we have some work to do there as Members of Congress to really recognize that we are impeding some of their progress?

Dr. MAHNKEN. Senator, absolutely. When it comes to infrastructure, when it comes to acquisition, when it comes to a whole host of areas, I would agree.

Senator TILLIS. Dr. Wood, I'll let you finish.

Mr. WOOD. For a long time, sir, for the best of intentions, Congress will mandate some increase in pay raises, or what have you. The services realize that they have to take that burden for years and years and years, and they would much rather get an airplane back onto the flight line. Flexibility and accounting for service priorities where trying to execute the mission that the country is telling them to do I think would be greatly appreciated.

Chairman McCAIN. I would just like to say to the Senator that Senator Reed and I are seriously considering the issue of BRAC, and obviously, we want to talk to the now Secretary of Defense about it. It is a little bit like sequestration. It is an act of cowardess. We cannot make the decisions ourselves. We leave it up to a commission. Frankly, the last commission made some very bad decisions, for example, closing Naval Air Station Cecil Field in Florida. Now we only have one base on the whole east coast, and that is Naval Air Station Oceana. This whole issue of Walter Reed. We need to talk about it and I think it has to be considered, as all things should be on the table. Like sequestration, it is kind of a cowardly act because it is authentication that we cannot make the tough decisions ourselves.

Senator Peters?

Senator PETERS. Thank you, Mr. Chairman.

Thank you to our panelists for very interesting testimony about an incredibly important topic as we are grappling with how to use taxpayer money as efficiently as possible and provide for, without question, the number one role of government, which is to keep us safe. I appreciate your thoughts on that.

I would like to take a look at the future. I know several of you have mentioned how we prepare for future wars and that the landscape is changing. It is certainly a very dangerous world, but we are going to see a different type of war five, ten years from now than we see right now.

When I had the opportunity to spend some time with General Mattis, I was struck by a comment that he made in which he said that he knows—when he was a battlefield commander, that he was really benefiting from decisions that were made 10 years prior to him being on the battlefield and investments that were made and equipment and personnel and strategic ideas that came up during that time.

I would just be curious. As we are talking about budgeting, I do not want to ever fall in the trap that too many folks throughout history have, which we always prepare for the last war and spend a lot of money to fight the last war which never comes. There is always a new war. If each of you would tell me where you think we should be focusing for a war in the next 10 years where we are simply not spending the type of money we should in a particular area. If you have an idea, I would certainly appreciate you sharing it. We can just go right down the panel.

Mr. WOOD. Senator, thank you. I think that the operative word here in all of this is “additive.” I know we are in the 21st century,

but if you look at what is going on in Ukraine, very non-21st century in many ways, multiple launched rocket systems, some of the warheads, artillery, armor, anti-armor fires. The idea of contests on the battlefield—your opponent figures out where you are strong and then does something different. You do not want to meet strength with strength. Right? You attack a vulnerability. It has to be additive.

I think as we move forward, the military has to retain conventional capabilities while also improving its ability in cyber, hypervelocity munitions, directed energy types of systems, the ubiquity of everything from social media and information types of campaigns to how you use satellites. I think it is additive.

What I am driving at is the capacity within the force that is uncommitted to current operations so that they can do the types of experimentation that reveal the insights that you are looking for. Right now, the military is 100 percent committed to current ops and it has no capacity to do the sorts of things that you are looking for. It is additive, be called upon to do more.

Senator PETERS. Thank you.

Dr. MAHNKEN. I would agree but also add that for decades the United States, U.S. military has enjoyed a unilateral advantage in being able to identify, track, and strike targets with precision, both fixed and increasingly mobile targets. That capability is spreading, and that which we have been able to do to our adversaries our adversaries very soon will be able to do to us. We will be subject to our adversaries' precision strike, whether from drones or from missiles or other means. That is a very different world. Not only will our forces be vulnerable, but increasingly the U.S. Homeland will be vulnerable not only to nuclear attack, which we have been for decades, but to precision conventional attack and cyber attack. I would say that that is a very different world, and even to the extent that many leaders will acknowledge that we are entering that world, as Mr. Wood said, we have not as a defense community, as a defense department really systematically thought through the deep implications of that not just for U.S. forces but for U.S. national security.

Senator PETERS. Thank you.

Dr. KORB. Senator, I would take a look at what is called the Third Offset strategy, which I support as a strategy, but make sure that you fund it adequately. The Under Secretary of Defense for Acquisition has said, well, I do not have enough money to do it. I would give that a priority because, as Dr. Mahnken said, you want to maintain your technological edge.

Cyber is something where you have to invest more in. It is not as expensive as some of the more traditional areas. I think you need to build a new generation of nuclear-powered submarines. I would not go with as many as they want, 12. I think you can do with eight or nine. I think you also need to build a new bomber because it has both a conventional and a strategic role.

Senator PETERS. Thank you. I am out of time.

Thank you, Mr. Chairman.

Chairman MCCAIN. Senator Sullivan?

Senator SULLIVAN. Thank you, Mr. Chairman.

Gentlemen, thank you for your testimony. I very much appreciate the different issues you are focusing on.

I want to kind of take an earlier focus when you were talking about the debt and the deficit and touch on a related topic with regard to our national security that I do not think often kind of gets tied into national security, and that is the strength of our economy just in general.

The last 10 years, we have had a lost decade of economic growth. We have not had 3 percent GDP growth, which is not even that great for America. Our traditional rates of growth have been closer to 4 for the last 200 years. We have not had 3 percent GDP growth in almost 15 years, not 1 year.

Can you just tell us from your perspective—obviously, that would help on the deficit, on the debt. Just as a symbol of American power—you know, in the Reagan years, we were growing at 5.5, even 6 percent; the same with the Clinton years. Can you explain just how that helps us in terms of getting our national security objectives, not just our economic objectives, the attractiveness of a robust American economy which, to be honest, we have not had in well over a decade? I will offer that to anyone.

Dr. MAHNKEN. Senator, well, I would say two things.

The first is like Dr. Korb, I am not a fan of pegging defense to GDP, but certainly the more your economy is growing, the more affordable defense becomes. The more your economy is growing, the more vibrant it is, also the more innovations that that economy is producing.

Senator SULLIVAN. Does it not also give us power to get things done when we are strong economically, particularly in Asia?

Dr. MAHNKEN. It also I think gives confidence. You know, it gives the American people confidence in the United States in our international role, and it also gives our allies and our friends confidence in the United States as well. Conversely, I would say part of the questioning that we have had of America's international role has domestic roots because people do not feel confident in our economy at home.

Dr. KORB. Senator, I think it is very important. You mentioned the 1990s. At the end of the decade of the 1990s, the Republican Congress and President Clinton had come up with a budget plan that not only balanced the budget but gave us a surplus and predicted that in the first decade of this century, the debt would be wiped out. Then we had the attacks of 9/11, the wars, as I mentioned early, we did not raise taxes to pay for. We ran up a big deficit. Then, of course, you had the economic collapse because of some decisions that were made in the 1990s in terms of some of the regulation of the banks. That is what we are recovering from right now.

You are quite right. Go back. I mentioned about President Eisenhower said, you know, it is a robust economy that is going to enable us to eventually undermine the Soviet Union. We are not going to end up fighting them on the battlefield. It is important to keep in mind that it is very hard to be strong abroad if you are not strong at home. If you have a larger GDP, it allows you to do things.

There are problems that you know better I do in terms of dealing with things like the age for Social Security. When I worked for President Reagan, we were able to move it up a couple of years. Maybe we ought to think about doing that again, for example, for certain people, or raising the amount that you pay Social Security taxes on that would help that.

There are a lot of things that I think that the Congress, working with the new administration, can do to get our economy back up again. I happen to believe—free trade. I think the TPP and a lot of these others, North American Free Trade Agreement—that was the way to go. We should not be backing off from those.

Senator SULLIVAN. Let me ask just one other question on another element of strengthening our national security, and that is our allies. As you all know and you have testified, we are an ally-rich Nation. Most of our adversaries or potential adversaries, whether it is Russia, China, Iran, North Korea, are ally-poor.

Fortunately, I think a number of the Trump administration's cabinet officials, certainly General Mattis during his confirmation hearing testified about the importance of allies. I think Rex Tillerson has. The President in his inauguration address talked about deepening our traditional allies.

Can you just talk briefly about just how important that is? Because I think there are some of our allies who are questioning our commitment, but to Americans, how important that is to strengthening our national security and what a great strategic advantage it is that we have these allies all around the world. Again, most of our adversaries do not have any.

Mr. WOOD. I would say the more allies you have, the more legitimacy you have in taking actions, the more access you have to regions, the expanded amplifying capability set that you have where the U.S. can bring some capabilities to bear. Our allies might have things that are more uniquely positioned in a given region. It allows you to shape an environment economically, diplomatically not only at the international level like U.N. [United Nations], *et cetera*, but even regionally in these regional consortiums of sorts of agreements, you know, in trade and access to resources and movement of people. You would much rather have more friends on your team than lacking friends, and I think the American people appreciate that. I think that money spent in ways that go to other countries are often criticized, but it is such a very small percentage of the budget and we reap such great benefits, you know, pennies on the dollar, so to speak, that this alliance structure should not only be appreciated but matured and expanded over time.

Dr. MAHNKEN. Yes. I think if we start with the premise of your first question, just thinking about economic weight, I mean, our allies are not—it is not just numbers, but these are some of the biggest economies in the world. They add to our economic weight.

We have allies because we have common interests, and we have allies because we share common values. I think it is worthwhile to keep both of those in mind. Where we have common interests and where we have common values, we have very deep alliances that are not only additive but I think in many cases also multiplicative of American power.

Chairman MCCAIN. I thank the witnesses. This has been very helpful, and we look forward to working with you and appreciate your being here today.

This hearing is adjourned.

[Whereupon, at 11:03 a.m., the hearing was adjourned.]

